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Lebanon's Team of IMF Negotiators Loses Another Key Official

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(Bloomberg) --

A key member of the Lebanese government team negotiating a bailout from the International Monetary Fund resigned on Monday, the second official to quit this month as authorities struggle to come together to save an economy in free fall.

The Finance Ministry's director general, Alain Bifani, said he's leaving to protest the government's handling of the country's worst financial meltdown in decades. The departure of Bifani, who's been in the job since 2000 and also sits on the board of the central bank, follows the resignation of Henri Chaoul, an adviser to the Finance Ministry.

Bifani has played a pivotal role in drafting the government's rescue plan and faced accusations of taking a hard line on local lenders as the central bank and the government clashed over the scale of losses in the financial system -- a crucial issue in Lebanon's talks with the IMF. The United Nations special coordinator for Lebanon, Jan Kubis, described Bifani's resignation as a "loss for Lebanon."

Speaking at a news conference after his unexpected move, Bifani lashed out at local lenders for refusing to repay what he called an "easy profit" they earned from continuously refinancing the government and engaging in "financial engineering" -- or operations conducted by the central bank since 2016 to boost its reserves.

"I chose to resign now because I do not want to be a partner or witness to what is happening," he said.

In Crisis

Lebanon's currency loses most of its value

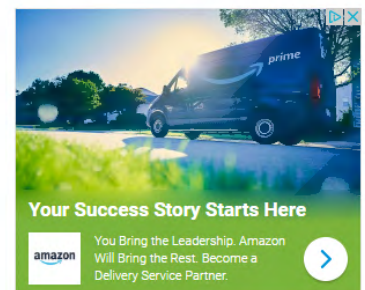
Lebanon's Black Market Rate



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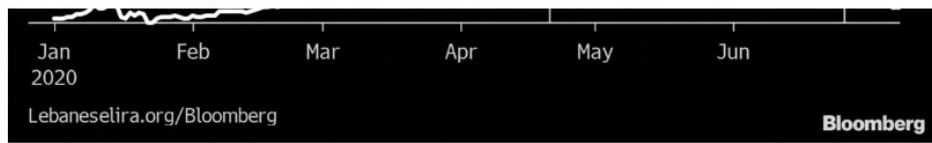
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Officials are in talks with the IMF for a \$10 billion loan program after the government defaulted in March on a Eurobond repayment. It's seeking to restructure its entire debt of \$90 billion and overhaul an economy that's seen its currency plunge on the black market with unemployment and poverty rates surging.

But the government has come under heavy scrutiny from lawmakers, lenders and the central bank for a plan it had drafted with the help of its financial adviser, Lazard Ltd. It estimates total losses incurred by the government, lenders and the central bank at \$69 billion -- three times Lebanon's total economic output projected for this year.

To plug some of that hole, it envisages debt haircuts that would wipe out lenders' capital and require a shareholder bail-in while protecting most depositors.

[Read more: Lebanon Tallies Up Its Debt Problem, Give or Take a Few Billion](#)

Lenders and central bank Governor Riad Salameh have presented varying numbers. Banks are proposing the government sell its assets valued at \$40 billion and pay back what it owes to the central bank. Lawmakers say the government's numbers are exaggerated and need to be reevaluated.

The divisions also prompted Chaoul to quit earlier this month and accuse the political class of colluding with lenders to torpedo a deal that would require them to pay the price for bankrupting the state. Bifani and Chaoul were two of three members of a Finance Ministry team taking part in the government's talks with the IMF.

Bifani has insisted that government's numbers were correct and has criticized the way others have calculated the losses.

Currency Chaos

Lebanon has been struggling with a severe dollar shortage since inflows from citizens overseas dried up as the country's political and economic crises deepened last year, prompting lenders to at first limit withdrawals and then effectively stop dispensing the greenback. That's sparked a surge in rates on the black market, which has recently accelerated to nearly 8,000 per dollar, compared with the official rate of 1,507.5.

Just as news of Bifani's resignation emerged, security forces were reopening a road in north Lebanon that was blocked by protesters over the collapse of the currency and deteriorating living conditions.

Local lenders allowed clients on Monday to withdraw dollars in local currency at a weaker rate than the one set in April, bankers said.

The central bank in April said customers could withdraw dollars at the market rate, which was later set at 3,000 pounds. At the time, the circular led to a sharp depreciation of Lebanon's currency.

[Read more: Lebanon Announces Measures to Stabilize Currency, Food Prices](#)

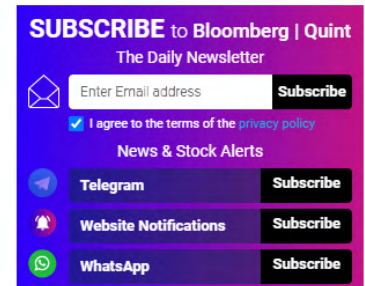
Bifani said on Monday there was an effort to disrupt the government's reform plan because it would force a restructuring of a system that some in Lebanon have long used to their advantage.

“What they want is for their profits to remain untouched and for the people to repay the losses through a collapsing currency, an indefinite freeze of bank accounts and horrifying inflation,” he said.

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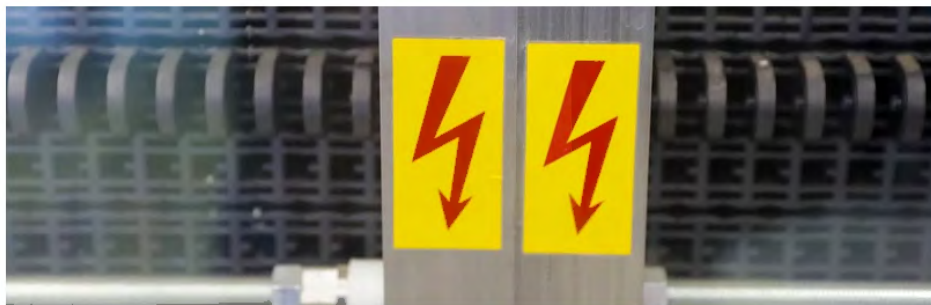
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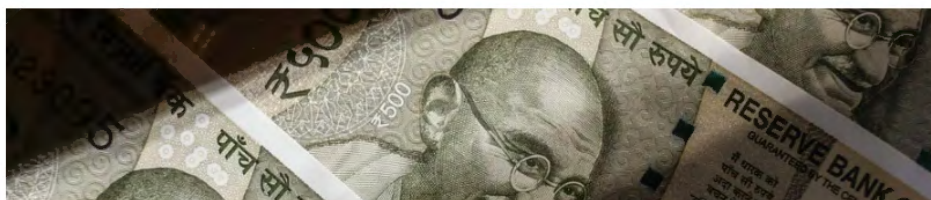


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